

ROUTING

Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Monday July 26, 1976

CI NIDC 76-174C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Monday, July 26, 1976

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Sitrep

25X1 [] The Palestinian delegation in Damascus continued talks with Syrian officials over the weekend, but there is no evidence that significant progress has been made.

25X1 [] A three-point accord is said to be under discussion. It would entail a cease-fire throughout Lebanon, a "Lebanese" solution to the current crisis, and an agreement on the regulation of Palestinian activity in Lebanon.

25X1 [] The last point presumably provoked the greatest debate because of Syria's renewed insistence that the Palestinians adhere to the restrictive Cairo accords.

25X1 [] Damascus shows no sign that it considers the withdrawal of its forces as negotiable. The Syrians clearly have no intention of withdrawing soon, especially from the Bekaa Valley in eastern Lebanon. On Saturday, the Syrian media announced that in Syrian-controlled areas of the valley a local administration had been established by "Lebanese army vanguards," a group Syria created last month to assist in restoring order.

25X1 [] This more closely identifies Damascus with civilian affairs in the valley and has already been called, by the Beirut press, another step toward establishing a permanent Syrian presence in Lebanon.

25X1 [] A new cease-fire scheduled to begin yesterday in Beirut never took hold. A contingent of the Arab League peace-keeping force stationed in the museum area ran into a mortar barrage as soon as it attempted to extend the recently created buffer zone between Christian and Muslim sectors of the capital.

25X1 [] Arab League representative Khuli, who has been trying to arrange a cease-fire, yesterday requested additional troops to supplement league forces already in Lebanon, according to press reports from Cairo.

25X1 [] Fighting continued in the Beirut area this weekend, especially around Tall Zatar and the Shia Muslim district of Nabaa. On Saturday, artillery exchanges also spread to the Hamra district, Beirut's main commercial section, where the US embassy is located.

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KENYA-UGANDA: Relations

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[REDACTED] //The Kenyans are expressing renewed concern over Ugandan President Amin's military intentions. The Kenyan armed forces, especially the air force, have reportedly been returned to full alert from last week's partial stand-down.//

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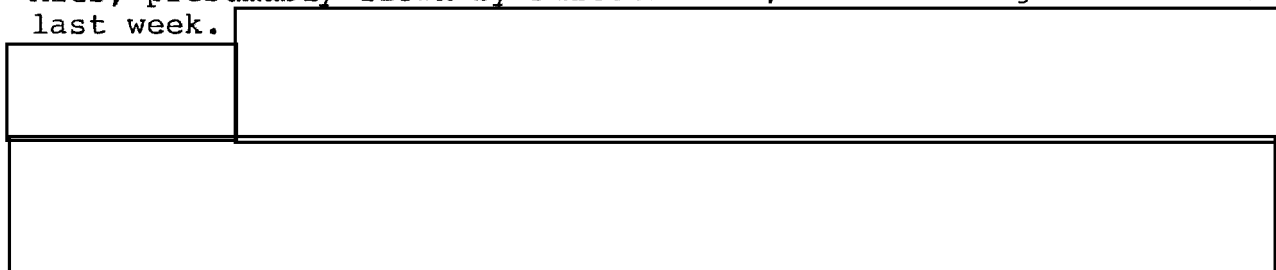
[REDACTED] //Although Kenya's restrictions on deliveries of fuel and other commodities to Uganda have further inhibited Kampala's already limited military capabilities, Nairobi reportedly believes the unpredictable Amin has conserved enough fuel for a military strike.//

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[REDACTED] //Kenya's fears have apparently been heightened by Amin's latest public threats and by a report that Ugandan MIGs, presumably flown by Palestinians, held bombing exercises last week.

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[REDACTED] //Nairobi is also concerned about reports late last week that all Ugandan police leaves had been canceled and that Ugandan units had requested tactical maps of the border area.//

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[REDACTED]

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[REDACTED] Apparently in recognition of his military problems, Amin is keeping pressure on Kenya in other areas. A high Kenyan official confirmed on Saturday that Amin has cut off electric power which Uganda supplies to a part of Kenya, but Nairobi says it can make up the shortage.

[REDACTED] Amin has also called on the UN and the OAU to investigate the Uganda-Kenya situation, which he says is "threatening world peace." He claims he has met his financial obligations to Kenya for petroleum deliveries.

[REDACTED]

[REDACTED] //Nyerere is unlikely to rush to Amin's aid. The Tanzanian leader, who supports exiled Ugandan dissidents, has his own sharp differences with Amin.// [REDACTED]

WORLD RUBBER: Producers of Natural Rubber Meet

[REDACTED] The executive committee of the Association of Natural Rubber Producing Countries begins a five-day session today in Malaysia, principally to iron out details of its price-stabilization plan.

[REDACTED] The seven-nation group, accounting for nine tenths of the world's natural rubber output, has been discussing the plan for over 18 months and, despite progress at this session, is unlikely to come up with final agreement.

25X1 [] The stabilization scheme calls for consumer-country participation and incorporates many of the provisions of the international tin agreement between producers and consumers. As in that case, a buffer stock and export controls are provided for the purpose of maintaining prices within an agreed range.

25X1 [] The plan also calls for an international natural rubber council--analagous to the International Tin Council--to supervise and implement the rubber agreement.

25X1 [] Although most rubber producers back the stabilization plan, the impetus for action has lessened with the recent turnaround in prices. As of July 15, natural rubber was selling for 41 cents per pound--up 28 percent since the start of the year and 64 percent above the price low in November 1974 when Malaysia, which supplies 45 percent of output, issued its call for a price-stabilization program.

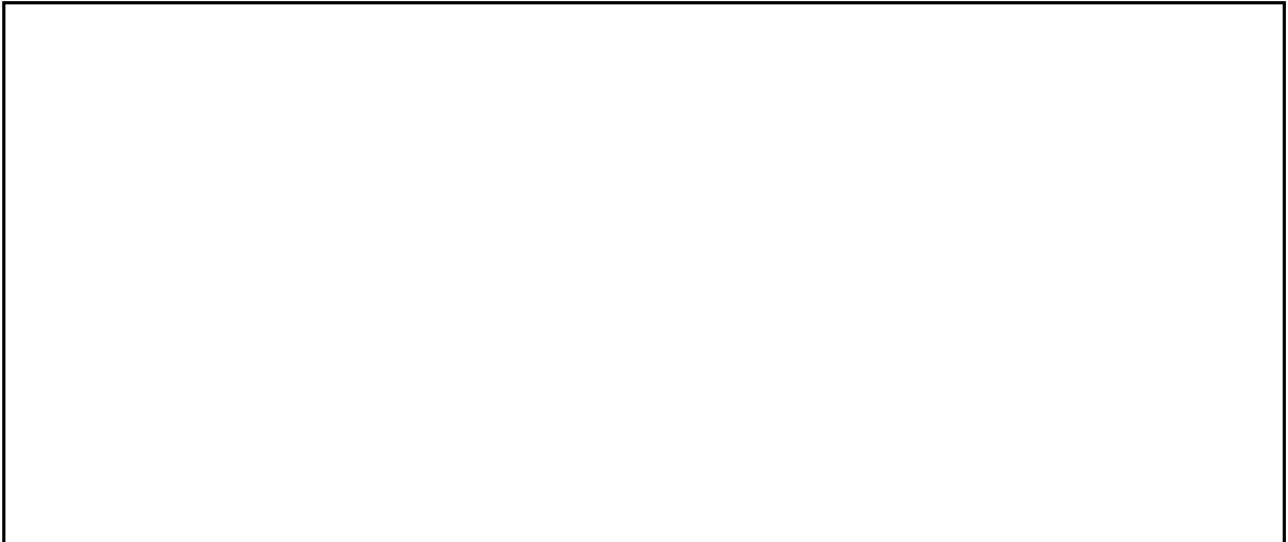
25X1 [] Malaysia is now arguing that high natural rubber prices could trigger an adverse reaction from consumers and encourage them to shift to synthetic rubber.

25X1 [] During the past few years, natural rubber's share of world rubber consumption has increased slightly, and is now about 34 percent, partly because of the effect of higher oil prices on the cost of synthetic rubber. []

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CIEC: Attempt to Break Deadlock

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[REDACTED] //The EC Commission is looking for ways to break the deadlock among 27 developing and industrialized states in the Conference on International Economic Cooperation, which has been meeting in Paris since December.//

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[REDACTED] //The commission will recommend that the EC Foreign Ministers, who meet tomorrow and Wednesday, drop the community's opposition to developing countries' demand for aid in relieving their debt burden.//

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[REDACTED] //The commission believes that in exchange for this concession, the developing states should be asked to compromise on their demands for protection of their "purchasing power," their euphemism for the long-standing demand to tie the selling prices of their commodity exports to the prices they pay for manufactured goods from the industrialized states.//

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[REDACTED] //The conference reached an apparent impasse over these two issues earlier this month, when the four working commissions were preparing detailed agendas for the next six months of talks. This "action" phase, following six months of analysis, was to have culminated in a ministerial meeting in December or January.//

25X1 [] //In setting the agendas, certain language insisted on by the developing states was seen by the industrialized states as prejudicial to the outcome of the talks. The Canadian and Venezuelan cochairmen of the conference will meet next month in search of a compromise formula.//

25X1 [] //The commission's recommendation on debt is almost certain to be rejected by the member states, if only because West Germany's hard-line approach to the question is not likely to change. EC members--especially France, which organized the conference--nevertheless hope that the talks will not break down and will be looking for ways to convince the 19 developing nations participating in the conference that the industrialized states in fact are willing to consider the developing states' problems seriously.//

25X1 [] //The developing states, however, are increasingly disenchanted with the conference as an appropriate forum for achieving their aims. There is a growing feeling among the developing states that the industrialized nations do not intend to make concessions in this forum.//

25X1 [] // The OPEC members may believe that the conference pits them against developing states that are not oil exporters, and that participation limits their own ability to raise oil prices. They are apparently convinced that the Paris forum will never legitimize their demand to tie the price of oil to the price of manufactured goods.//

25X1 [] //Maintenance of unity among the developing countries is another important factor. The 19 developing states represent the interests of the Group of 77, which now has more than 100 members, and are under pressure from other developing states not to make concessions to the industrialized states in the weeks preceding the summit of nonaligned countries to be held in Sri Lanka in August.//

25X1 [] //Tactical considerations may also be involved. The developing states may be waiting to see the outcome of national elections in West Germany and the US before returning to the Paris forum. They know that most of the issues they are interested in will, in any case, be under consideration in other forums. []

ITALY: Lack of Support for Andreotti

25X1 [] The lack of support for Italian prime minister - designate Andreotti among the Christian Democrats' traditional governing partners means that he will have to seek either abstention or support from the Communists or neo-fascists to win a parliamentary vote of confidence for a new government.

25X1 [] Andreotti has not been specific about government formulas, but he presumably intends to form a temporary Christian Democratic cabinet to buy time for all parties to sort out options prior to negotiations on a coalition later in the year.

25X1 [] Following Andreotti's second round of consultations with party leaders last week, the Christian Democrats' three major allies since 1963--the Socialists, Social Democrats, and Republicans--told him that the most he could expect from them was abstention in a confidence vote.

25X1 [] Newly elected Socialist leader Craxi told the Christian Democrats, moreover, that his party would abstain only if the Communists did also--a position that reflects the strong pressure on Craxi from the Socialist left wing.

25X1 [] The composition of the parliament elected last month will, in any event, prevent the Christian Democrats from mustering a majority without Communist or neo-fascist abstention if the Socialists, Social Democrats, and Republicans do not vote for the government.

25X1 [] The Christian Democrats are meeting tomorrow to decide their next move.

25X1 [] It is extremely unlikely that the Christian Democrats will seek neo-fascist cooperation since this would almost certainly be met with widespread protest and violence. On the other hand, many Christian Democrats are likely also to be opposed to seeking Communist cooperation since the government's survival would for the first time be clearly dependent on Communist benevolence.

25X1 [] The Communists, for their part, have not committed themselves, although they do not rule out abstention on an Andreotti government. They are reportedly demanding that the Christian Democrats ask publicly for their cooperation.

25X1 [] There are indications that if Andreotti gives up, President Leone may turn to someone from another party to form a government. The most frequently mentioned candidate is Republican Party leader La Malfa. []

UK: Defense Spending

25X1 [] //British Defense Minister Mason has assured NATO that his government's proposed \$178-million cut in defense spending for the 1977-1978 fiscal year will have little impact on the UK's military contribution to the alliance. He acknowledged, however, that some weapons procurement programs may be delayed.//

25X1 [] //The reduction in military expenditures--the third substantial cutback announced in the past 18 months--constitutes about 10 percent of the total cuts in public sector spending announced by Chancellor of the Exchequer Healey in his speech to Parliament on Thursday.//

25X1 [] //In a letter to NATO Secretary General Luns, Mason said he was determined not to reduce "front line" forces committed to the alliance--a reference to the 56,000 British ground troops stationed in Western Europe. He added that the spending cuts, which he described as unavoidable, would have "as small an impact as possible" on the operational capability of British armed forces.//

25X1 [] //Mason did not reveal specific areas where cuts would be made, but he implied they would be absorbed partly by allowing delays in some lower priority military equipment and construction programs. Spending for logistic support facilities, military housing, and administrative offices will also probably be reduced.//

25X1 [] //Some British press sources have estimated the cuts will eliminate about 5,000 defense-related jobs, adding to the UK's already serious unemployment problem.//

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25X1 [] //The defense minister's attempt to minimize the effect of this latest reduction on the flexibility and overall military capability of the UK armed forces suggests that London anticipates strong protests from its NATO allies.//

25X1 [] //Such protests could intensify if the government is forced to consider additional cuts in military spending as it continues to struggle with its domestic and international financial problems. Further cuts are likely to have a serious impact on programs directly bearing on the effectiveness of British forces.//

25X1 [] //London may eventually be forced to consider deactivating the six squadrons of NATO-assigned Vulcan B-2 bombers, withdrawing most of the nearly 10,000 British army combat forces stationed outside Europe, and retiring the navy's two aging Tiger-class cruisers. []

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EGYPT-SUDAN: Defense Agreement

25X1 [] The US embassy in Cairo believes that the Egyptian-Sudanese defense agreement announced last week is intended primarily as a political deterrent aimed at Libya.

25X1 [] The agreement, which pledges each state to assist the other in the event of external aggression, was concluded as a direct result of the abortive coup in Sudan early this month. Sudan and Egypt are convinced that Libya planned and executed the coup attempt.

25X1 [] Presidents Sadat and Numayri concluded the defense agreement on July 15 during Numayri's visit to Egypt, and they attempted to involve Saudi Arabia as a third partner when they met with Saudi leaders in Jidda on July 17.

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[] The defense agreement calls for the formation of a joint defense council composed of the two countries' foreign and defense ministers and of a joint staff command headed by the armed forces chiefs of staff.

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[] The pact, which has the principal military object of improving Sudan's armed forces, does not outline the specifics of military cooperation. These are to be worked out by the two joint commissions at regular meetings.

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[] The US embassy in Cairo notes that, although Egypt's military planners are taking the pact seriously, its chief importance is political. Any decision to send Egyptian troops to Sudan in an emergency will be solely a political one, and the embassy believes it conceivable that Sadat would renege if an anti-Numayri coup group acceptable to Egypt took over.

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[] For the present, however, Egypt's chief concern is over the Libyan threat to Sudan. Cairo would almost certainly, in the embassy's view, intervene to save Numaryi--and Egypt--from a takeover in Sudan by pro-Libyan forces. []

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